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RUEHUL/AMEMBASSY SEOUL PRIORITY 3329  
RUEHBS/USEU BRUSSELS PRIORITY  
RUEHGV/USMISSION GENEVA PRIORITY 3467

C O N F I D E N T I A L TOKYO 000124

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STATE FOR E  
NSC FOR JIM LOI  
GENEVA FOR DAVE SHARK  
USTR FOR WENDY CUTLER AND MICHAEL BEEMAN

E.O. 12958: DECL: 10/01/2018  
TAGS: [ECON](#) [EFIN](#) [PREL](#) [JA](#)  
SUBJECT: PM ASO URGES PRESIDENT LEE TO ACCELERATE  
CONSULTATIONS ON BILATERAL ECONOMIC PARTNERSHIP AGREEMENT

Classified By: CDA James P. Zumwalt for reasons 1.5 (b) and (d).

¶1. (C) SUMMARY. Prime Minister Aso strongly urged South Korean President Lee to accelerate consultations on an Economic Partnership Agreement (EPA) during their January 12 summit, according to MOFA Economic Partnership Director Shinichi Hosono. Aso made the push because current working-level talks to re-start the stalled EPA discussions are not making sufficient progress. Hosono explained Japan's business community wants to see EPA talks formally re-launched soon, but the South Korean government is seeking a GOJ pledge that Japan's bilateral trade surplus with Korea will shrink following the conclusion of an EPA. Hosono confirmed this is a pledge Japan cannot make. END SUMMARY.

JAPANESE BUSINESS WANTS EPA TALKS TO RESUME  
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¶2. (C) During the Japan-South Korea summit on January 12, PM Aso urged President Lee to accelerate bilateral EPA consultations by agreeing to "move-up" the level of the talks from working-level to director-level, Hosono said. Aso made the request based on dissatisfaction in Japanese business circles with the pace of the working-level talks. The two working-level sessions held to date, June 2008 in Tokyo and December 2008 in Seoul, have produced little and the newly formed Japan-South Korea business-to-business forum, the first such group in the countries' history, is calling for more progress in liberalizing trade between the two economies. The EPA talks began in December 2003 with a goal of concluding the agreement in two years. The talks, however, broke down in December 2004 over the scope of agricultural liberalization, specifically free trade in rice. Since 2005, both sides have sought to re-launch talks, but a compromise on agriculture remains elusive.

¶3. (C) Hosono said Lee did not directly answer Aso, but said South Korea required a "pledge" that a Japan-South Korea EPA would reduce the growing bilateral trade deficit. Two-way trade in 2008 totaled \$86.8 billion, with Japan running close to a \$30 billion surplus. Absent this pledge, something Hosono noted was "impossible" for Aso to provide, South Korea has asked for greater Japanese flexibility in lowering agriculture tariffs, removing non-tariff barriers, and expanding industrial cooperation. (Note: Japan-Korea EPA studies have concluded South Korea's economy would benefit in terms of growth and job creation, but that the trade deficit with Japan would increase in the short-term following the conclusion of an EPA. End note.) Hosono said two of the South Korean requests are "a bit unrealistic." Greater

industrial cooperation is a function of business decisions and not something the GOJ can decide. When the private sector see it as worthwhile, it is already occurring. Agriculture is a sticking point for Japan, not just with South Korea, but in Japan's other EPAs as well as in the WTO.

14. (C) Comment: Press reports on the January 12 Summit put an overly positive spin on the Aso and Lee discussion of re-starting EPA negotiations. Aso's Kantei press statement is more careful than press articles suggest: "we agreed to move forward with examining the resumption of accelerated consideration of Japan-ROK EPA negotiations." When the global economy rebounds, Japan and Korea may re-engage on an EPA, but there is no optimism inside MOFA for talks anytime soon. End Comment.  
ZUMWALT